

Message Text

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60

ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 L-03 NSC-10 CIAE-00 DODE-00

INR-10 NSAE-00 PA-04 RSC-01 USIA-15 PRS-01 SPC-03

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FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 6925

INFO AMEMBASSY LIMA

LIMITED OFFICIAL USE SANTIAGO 6206

PASS EXIM AND COMMERCE

EO 11652: NA

TAGS: ETRN, CI

SUBJECT: CIVAIR - LAN CHILE PLANS FOR RENTAL AND PURCHASE
OF JET AIRCRAFT

REF: SANTIAGO 5831

1. IN CONVERSATION DECEMBER 14 WITH LAN DIRECTOR OF PLANNING, EMBOFF WAS TOLD LAN RECOGNIZED FACT THAT EXIM FINANCING FOR AIRCRAFT PURCHASE NOT LIKELY IN NEAR FUTURE, THOUGH IT ALWAYS POSSIBLE TO HOPE THAT MATTERS COULD TAKE AN UNEXPECTEDLY QUICK FAVORABLE TURN. HE ADDED THAT LAN'S LATEST LEAD TIME CALCULATIONS FOR ARRANGING FINANCING FOR PURCHASE OF TWO JET AIRCRAFT WAS ONE YEAR, RECOGNIZING NEGATIVE EFFECT ON FLIGHT FREQUENCY OF SHARPLY INCREASED FUEL SUPPLY PROBLEMS AS WELL AS NEED TO STRAIGHTEN OUT CHILE'S OVER-ALL INTERNATIONAL CREDIT SITUATION.

2. OFFICIAL SAID THAT IN MEANTIME LAN WAS WELL ADVANCED TOWARD CONCLUSION OF LEASE AGREEMENT WITH ANDEAN DEVELOPMENT CORPORATION (CAF), WHICH WOULD PROVIDE LAN WITH USED JET WITHIN 60-90 DAYS. (COMMENT: SANTIAGO PRESS CARRIED ARTICLES ON LAN PLANS TO LEASE JET AIRCRAFT FROM CAF EARLIER IN WEEK.) OFFICIAL
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EXPLAINED THAT PLAN CALLS FOR CAF TO PURCHASE AIRCRAFT ON

CREDIT, UNDOUBTEDLY AT COMMERCIAL INTEREST RATE OF ABOUT 9 PER CENT, AND PROVIDE IT TO LAN FOR MONTHLY RENTAL FEE COVERING DEBT SERVICE COSTS AND SMALL EXTRA AMOUNT TO BE APPLIED TOWARD PAYMENT OF CAF OVERHEAD EXPENSES. AFTER TEN YEARS, LAN IS ENTITLED TO TAKE OVER OWNERSHIP OF AIRCRAFT WITH ADDITIONAL PAYMENT OF 1 1/2 PER CENT OF ORIGINAL PURCHASE CONTRACT VALUE.

3. LAN ESTIMATES TOTAL CHARGES IT WILL PAY UNDER THIS SYSTEM WILL BE COMPARABLE TO FINANCING A DIRECT PURCHASE, IN NEIGHBORHOOD OF 11 PER CENT. OFFICIALS BELIEVE AIRLINE CAN NEVER-THELESS MAKE A PROFIT ON THE PLANE DURING THE LEASE PERIOD. AT THE SAME TIME THE LEASING ARRANGEMENT WILL NOT COMPLICATE GOC'S EFFORTS TO IMPROVE CHILE'S INTERNATIONAL CREDIT SITUATION BECAUSE LAN WILL INCUR NO INDEBTEDNESS.
THOMPSON

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